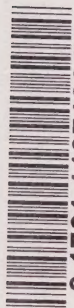
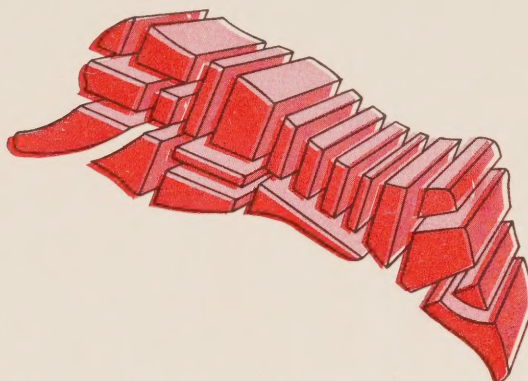


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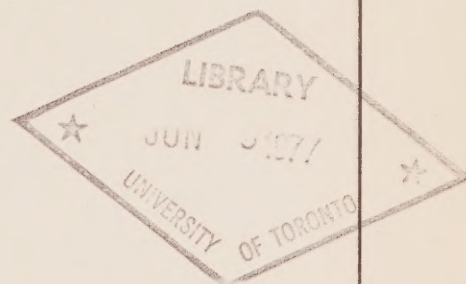
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COMMISSION OF INQUIRY INTO THE MARKETING OF BEEF AND VEAL

PROFIT MARGINS OF FIRMS MARKETING BEEF



Research Report No. 7
by
Woods, Gordon & Co.
Management Consultants

Ottawa
February 1976



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NOTE

The following research report was prepared at the Request of the Commission of Inquiry into the Marketing of Beef and Veal to assist it in fulfilling its mandate. The analysis and conclusions contained in this report are the responsibility of the author (s) and do not necessarily reflect the views of the Commission.

This Report has been edited to remove references to individual company data obtained on a confidential basis. The substance and conclusion of the report are intact.

EXECUTIVE SUMMARY

The purpose of the project was to determine revenues, related costs and net profits of a representative sample of companies as selected by the Commission at each level in the beef marketing system.

We were asked to obtain financial information from approximately 40 different companies engaged in the processing and marketing of beef. The total sales volumes of all companies in the sample for the 1974/75 year is approximately \$1.66 billion. Even though many companies have not been included in the survey, we believe that the sample selected by the Commission is sufficiently representative that the financial data we have accumulated provides a reasonable indication of the financial results of the industry generally.

We reviewed our data requirements with officials of the companies concerned and discussed with them the basis on which acceptable estimates and cost allocations could be made and have relied upon the data prepared by the companies. While we have no compelling reason to question the accuracy of the data, we did not attempt to carry out any independent audit or verification.

Many companies engaged in the beef industry deal in other products and commodities in addition to beef. This is a particularly significant consideration in assessing the data from the retail segment on the industry where the firms included in the study had to make estimates of sales, cost of sales, gross profit, wages and benefits and other expenses applicable to beef operations. The respondents who found it necessary to make these estimates expressed reservations and disclaimers as to the accuracy of the results shown in their submissions. Nevertheless, we believe that the allocations were made in good faith, that respondents produced their best efforts and that the overall results are reasonable for the purpose of this study.

We have determined the net profit or loss before income taxes for each segment of the beef marketing system sample and expressed these amounts as percentages of sales (just as we have expressed each cost category as a percentage of sales). Therefore, the profit element in selling prices can be identified. Other measures of profitability could be made as well; such as return on capital, expressing profits earned as a percentage of capital invested.

But because most of the companies in our sample were involved in activities other than beef, we found it impractical to determine the value of assets or capital employed in beef marketing alone. Accordingly, we did not attempt to determine profit as a percentage of capital employed or as a percent of shareholders' equity. We also compared percentage gross profit and net profit before income taxes to similar figures for certain standard industrial classifications for 1971, the most recent from Statistics Canada data available. We will also be providing some data on overall performance of many of the companies for comparison purposes.

The levels of sales of stockyards and brokers have been erratic and are the result of changes in both market prices primarily affecting the brokerage segment; and livestock volumes primarily affecting the stockyards with some impact on brokers. Expenses tend to be fixed and when revenues fluctuate, profits are directly affected.

Packers experienced a slight downward trend in gross profits as a percent of sales; from 11.6% in 1970/71 to 10.5% in 1973/74. The gross profit percentage increased to 12.1% in 1974/75 (gross profit has been determined by deducting only beef purchase cost from sales). Over the past five years, net profit before income taxes as a percent of sales has increased from 0.1% to 1.1%. Gross profit and net profit before income taxes as percents of sales were lower than the comparable figures for "meat products" and "wholesale - livestock" in 1971.

Sales have grown dramatically for the wholesaler segment of the industry, increasing in the five-year period by 142%, far faster than any other segment. Very little variation is apparent in gross profit percentages (8.7% to 9.7%) and expenses and net profit before income taxes expressed as percents of sales have fluctuated in a narrow range (0.6% to 1.2%). Gross profit percentages are lower for beef wholesalers compared to "wholesale-livestock" and "wholesale food" in 1971. However, net profit before income taxes is slightly higher, at 0.8% for beef wholesalers than for "wholesale food" at 0.5%, and is the same as "wholesale - livestock".

For the retailers included in our sample, percentage gross profit on beef sales has declined from 17.7% in 1970/71 to 15.4% in 1974/75. Net losses before income taxes average approximately 8% of sales over the entire period. Gross profit and net profit percentages for beef sales are lower than comparable figures for retail food stores generally in 1971. Beef sales resulted in losses before taxes of 7.8% compared to an overall net profit percentage before tax of 0.8% for retail food stores.

The regional data shows a few major variations from the overall data. The most significant of these are the retail segment in the West, packers in Quebec and Ontario, and wholesalers in Ontario. The latter group has a somewhat different operation than does the sample at large.

Generally, we received the cooperation of the companies participating in the study and we wish to recognize the time and effort of the personnel involved in interviews and data collection.

We also wish to acknowledge the contribution of Mr. Mehr and Mr. Huff who assisted us in carrying out the project.

COMMISSION OF INQUIRY INTO THE MARKETING OF BEEF
PROFITS MARGINS OF FIRMS MARKETING BEEF

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INTRODUCTION

SCOPE

We were asked to obtain financial information from approximately 40 different companies engaged in the processing and marketing of beef. For purposes of analysis of this data, companies in the industry have been divided into four segments:

1. Beef marketing services (stockyards and brokers);
2. Packers;
3. Wholesalers; and
4. Retailers.

Most companies do not attempt to separate their veal sales on the grounds that dollar sales volumes of veal are insignificant in relation to overall beef and veal operations combined. The few companies which provided us with separate sales figures for veal confirmed this information, with veal representing less than 1% of their total volume. In view of this, we have dealt with beef and veal operations combined.

Even though many companies have not been included in the sample, we believe that the sample selected by the Commission is sufficiently representative that the financial data we have accumulated provides a reasonable indication of the financial results of the industry generally. In fact, we believe that more than 50% of the total Canadian market is represented in the packer, wholesaler and retailer segments.

We made personal visits to officials of each company to discuss our requirements and methods of accumulating data. Also we made follow-up contact with many companies following receipt of their submissions in order to obtain further explanations. Upon reviewing our data requirements with officials of the companies concerned and discussing with them the basis on which acceptable estimates and cost allocations could be made, we have relied upon the data prepared by the companies. While we have no reason to question the accuracy of the data, we did not attempt to carry out any independent audit or verification.

METHODOLOGY

The purpose of the project was to determine revenues, related costs and net profits of a representative sample of companies as selected by the Commission at each level in the beef marketing system.

Our original intention was to obtain the accounting data by means of a questionnaire to be sent to the selected companies. In order to provide a basis upon which to design the questionnaire, we made initial contact with two large firms in the industry to discuss informally the nature and availability of data and the means of generating estimates. As a result of these initial contacts, we concluded that a questionnaire would not yield the desired information. It was apparent that the variety and kinds of companies, the variations in any one segment of the industry, different financial accounting systems and different cost accounting systems would preclude development of a single questionnaire. Furthermore, we concluded that to produce the number of specific questionnaires necessary to deal with all the variables mentioned would be tantamount to dealing with the companies on an individual basis, the course of action which we followed.

Accordingly, we sent a letter to each organization in the sample (Appendix I). In that letter, we discussed timing, the scope of our study, the specific data required and other matters which we proposed to review (including bases for allocation of costs, changes to internal accounting and reporting systems and bases of estimates of revenues and costs). We explained in the letter that one of our representatives would make a personal visit to each firm to discuss the financial data to be submitted and the basis upon which it had been prepared. The majority of our personal visits took place between August 4 and August 27. Our interviews were with senior operating and financial officers for most companies visited. In the case of some smaller firms, we met also with their independent public accountants.

In general, we received cooperation of the companies involved in the study and we wish to recognize the considerable time and effort spent by their senior personnel in interviews and in responding to our request.

Upon making personal visits, we found that most companies had not begun to assemble data and were awaiting the opportunity to discuss the requirements with us. Typically, time in these interviews was spent gathering background information on their beef operations and discussing the ways and means by which the organizations could meet our

requirements. In particular, a great deal of time was spent in discussing methods of allocation of common costs. We required that all common costs including corporate administration and interest on debt be given recognition of their estimates of beef operations. The net results obtained represent estimated net profit or loss before tax for each company's beef operations. We decided to exclude income taxes since these might introduce extraneous variables bearing no direct relationship to beef operations. As data was received, we made a preliminary analysis to ensure adequacy and comparability. In some cases, follow-up telephone calls and visits were necessary to resolve inadequacies in the submissions. Approximately 40% of the submissions were not received by the specified deadline of August 26. Most late submissions were received during the months of September and October (the last being received in early November). This necessitated continued follow-up and caused delays in the analysis of the data and ultimately, in the presentation of this report to the Commissioners.

We use certain terms in this report to describe financial operations:

- | | | |
|--|---|--|
| "Sales" | - | Net sales after deducting discounts and rebates. |
| "Cost of Sales" | - | Beef purchase cost including freight-in. |
| "Gross Profit" | - | The difference between "Sales" and "Cost of Sales". |
| "Wages and Benefits" | - | Generally direct operating wage costs. |
| "Other Expenses" | - | All other costs allocable to beef operations including indirect salaries, occupancy costs and realty and other taxes. No provision was made for imputed interest on capital employed on beef operations but actual interest costs were included if applicable. |
| "Net Profit or Loss Before Income Taxes" | - | "Gross Profit" less "Wages and Benefits" and "Other Expenses". |

Data was accumulated and has been expressed in the aggregate in dollar terms and in terms of percent of sales (Appendix II). We also calculated the mean deviation of any data which resulted from the combining of separate submissions. This calculation appears for multi-branch companies and for industry segments. This measure of dispersion was chosen because it is dependent upon the value of every item in the series and it places a lesser emphasis on extreme values than does the standard deviation, in the computation of which all values are squared. From the nature of the values which we received, we concluded that the mean deviation was the most appropriate measure of dispersion.

We recognize the Commission's responsibility to comment upon the reasonableness of the costs incurred and of the price spreads which exist among the various elements of the marketing system. Accordingly, we have included key operation ratios of other related industries. The following industries were chosen as being most closely related to the beef marketing system:

- Meat products;
- Wholesale food;
- Wholesale - livestock;
- Retail food stores.

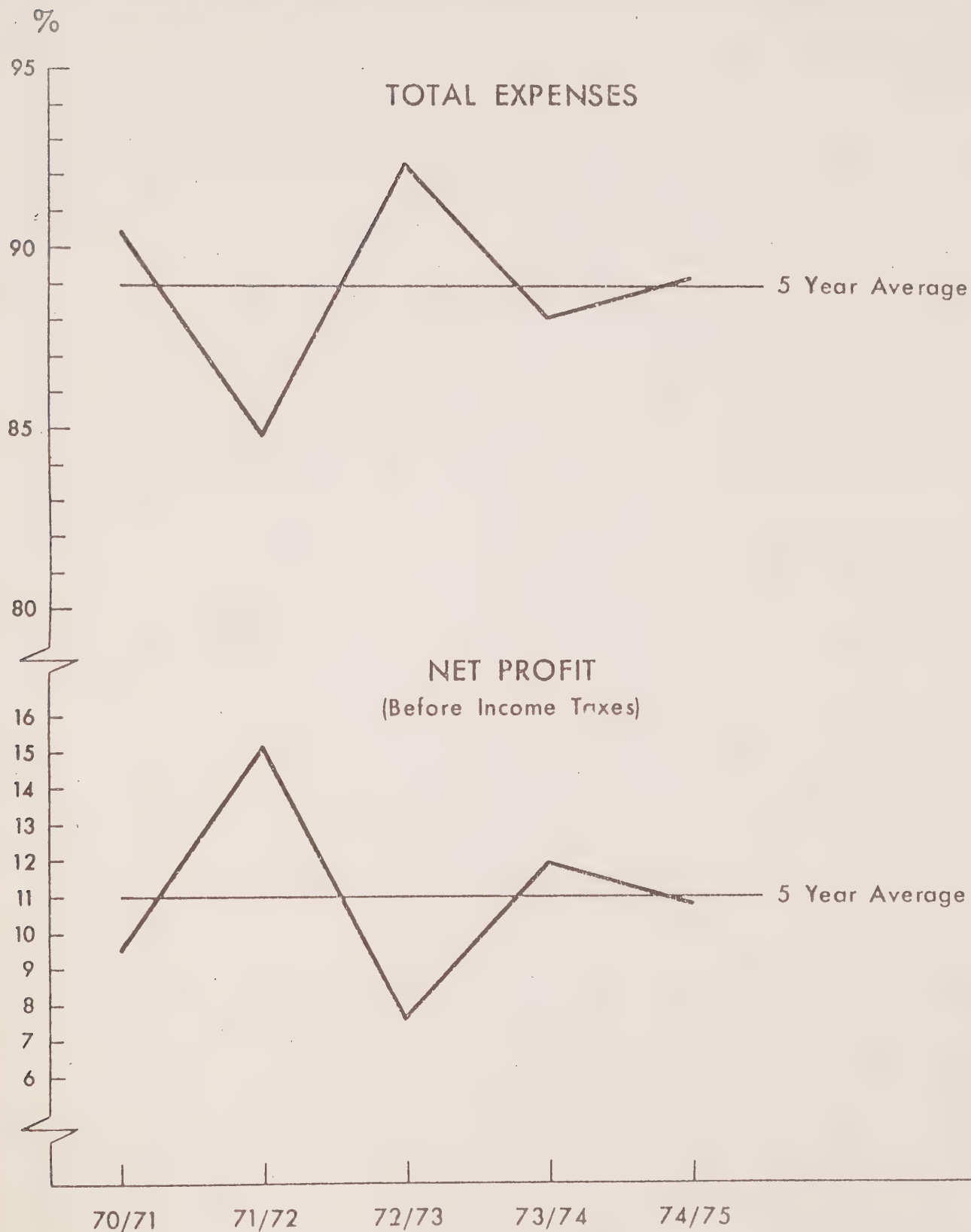
At your request, we have also solicited information from the companies relative to their overall food operations.

This related information is referred to in our "Analysis of the Data".

BEEF MARKETING SERVICES

(Stockyards and Brokers)

OPERATING RESULTS AS PERCENTS OF SALES DOLLARS



FINDINGS

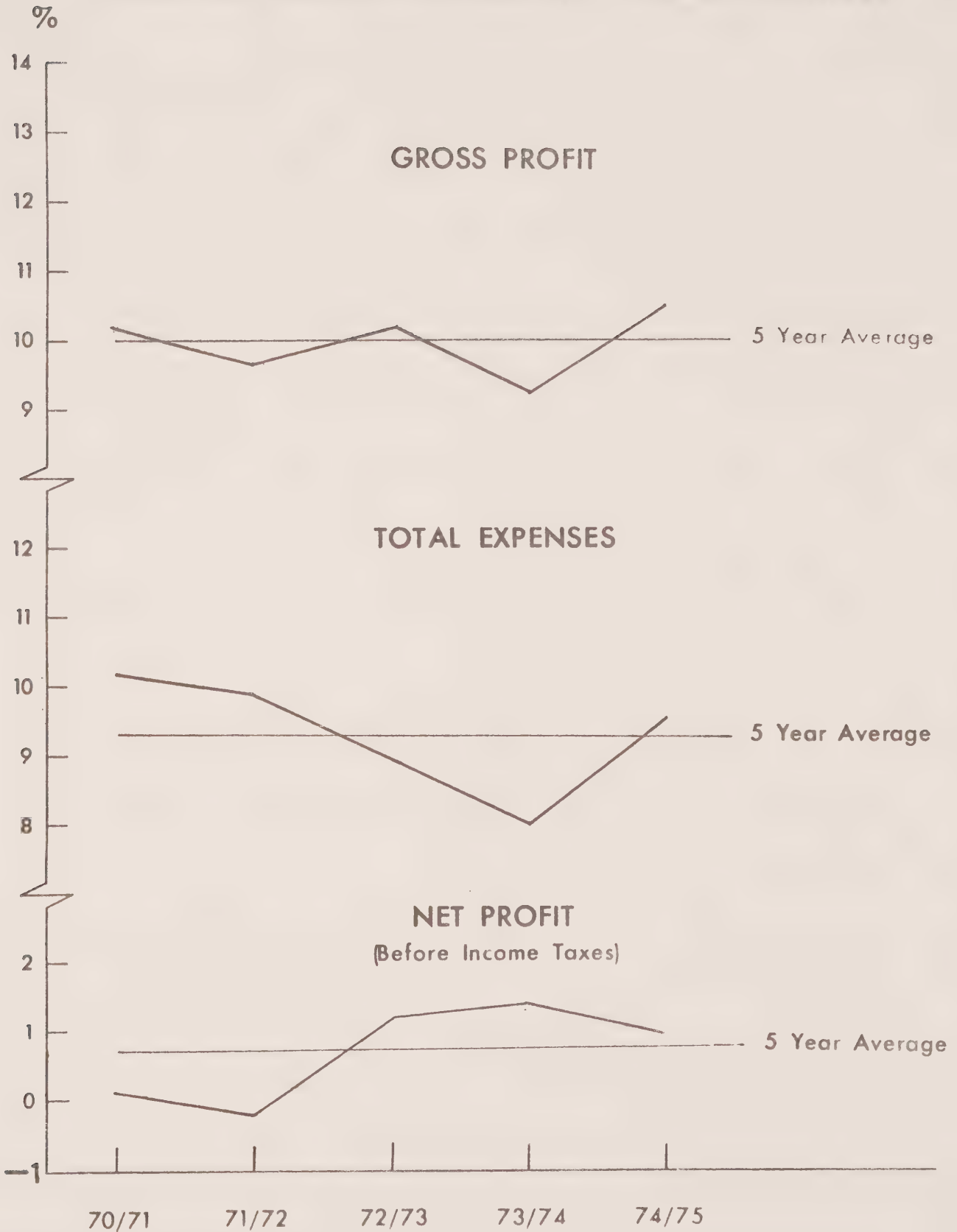
NATURE OF DATA

In some cases, companies could provide data directly from their financial statements. This was true for those companies whose sole business is processing or marketing of beef. Many companies engaged in the beef industry deal in other products and commodities in addition to beef. This is a particularly significant consideration in assessing the data from the retail segment of the industry where none of the firms included in the study were able to determine sales, cost of sales, gross profit, wages and benefits, and other expenses applicable to beef operations directly from their accounting records. Estimates of unit volumes, average selling prices and average purchase costs had to be made by these companies in order to provide us with the necessary data. In general, the bases used for estimates are included in letters and working papers, which we have turned over to the Commission.

The respondents who found it necessary to make these estimates expressed reservations and disclaimers as to the accuracy of the results shown in their submissions. Nevertheless, we believe that the allocations were made in good faith, that respondents produced their best efforts and that the overall results are reasonable for the purpose of this study.

There is no one acceptable basis for allocating common expenditures such as overhead when more than one activity is involved. The methods commonly used were by reference to sales volume, to space occupied by each activity and to time devoted to each activity. But any allocation of costs must be considered arbitrary and subjective. Nevertheless, we believe that it is necessary to include a reasonable portion of all such common costs if a fair presentation of operating results of one segment of a corporation's activity is to be made.

In some cases, several years' data was supplied by companies but, for various reasons, information was not available for the full five-year period. Examples of this were recently-purchased or newly-incorporated companies and companies whose accounting records were simply not sophisticated enough to permit officials to provide any useful financial information. Although a limited amount of data was provided by these firms, it was rejected if it could not be incorporated into the aggregates.

PACKERS**OPERATING RESULTS AS PERCENTS OF SALES DOLLARS**

The amount of detail of revenues and costs varied among submissions. We determined that the most meaningful presentation of financial data should be sales, cost of sales, gross profit, wages and benefits, other expenses, total expenses and net profit or loss before income taxes, as defined previously. In a few cases, only total expenses were provided. In these circumstances, we allocated total expenses between "wages and benefits" and "other expenses" in the same ratio as that for comparable companies.

OUR ANALYSIS OF THE DATA

The total sales volume of all companies in the sample for the 1974/75 is approximately \$1.66 billion.

We considered displaying aggregate financial results for all companies in the sample selected by the Commission. However, we concluded that such an aggregate would not represent all segments of the beef marketing system in the same proportions that exist taking all firms in the industry and thus would not be meaningful. The industry segments are represented in the sample following proportions (based on total sample sales volume for 1974/75):

Packers 59%

Wholesalers 13%

Retailers 28%

Revenues for the Beef Marketing Services segment contributed less than 1% to the sample total sales volume.

1. Beef Marketing Services (stockyards and brokers)

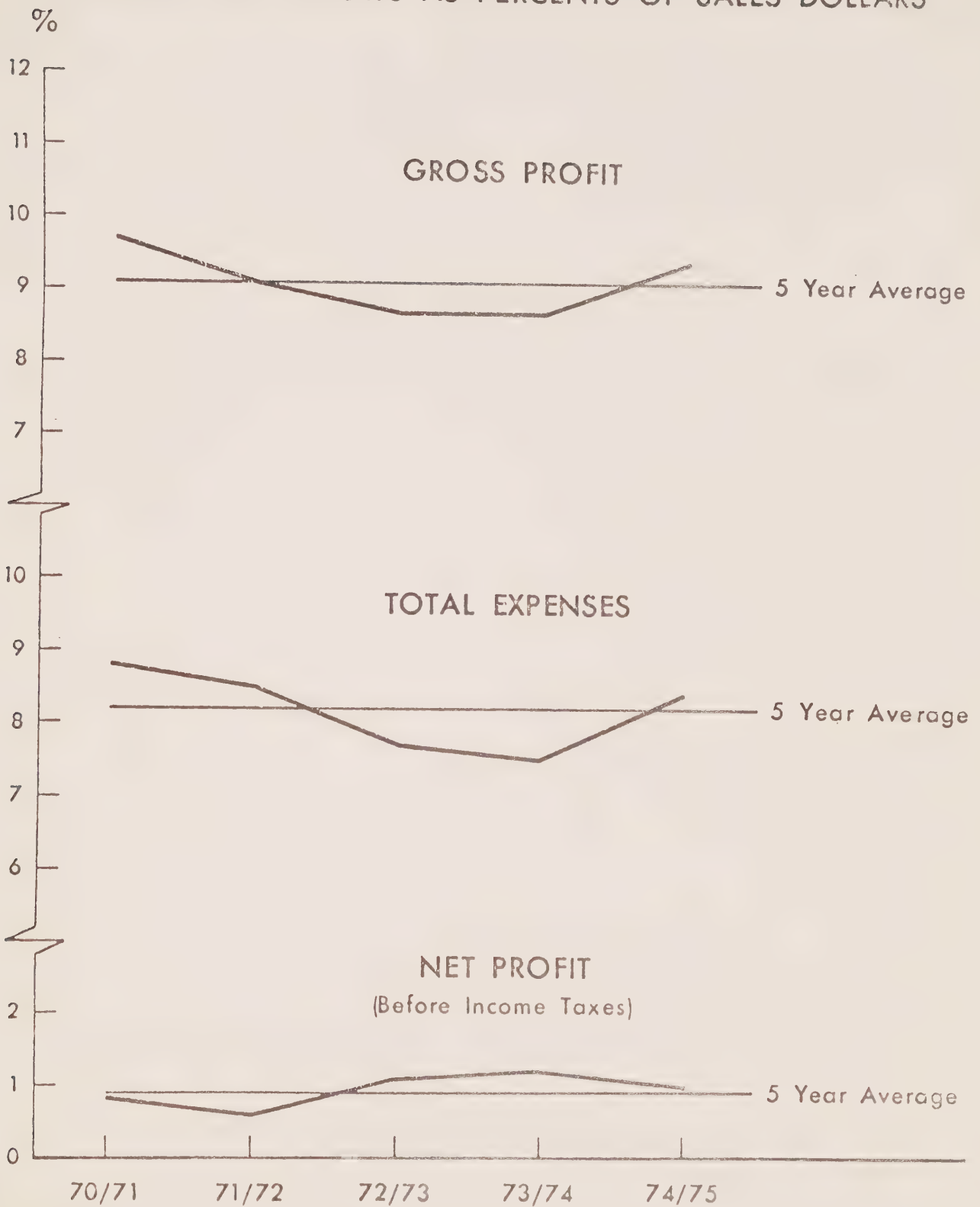
Stockyards charged a fixed fee per head for handling livestock. In addition, they sell small amounts of feed and bedding and provide other sundry services, i.e. branding, dehorning and vaccinating. Brokers charge a commission on the dollar value of their beef transactions.

Stockyard fees have increased by about 40% in the five-year period while brokerage commission rates have remained constant.

"Cost of sales" is not incurred since these firms do not purchase domestic beef for their own account. Thus, "Gross profit" is the same as "Sales".

WHOLESALEERS

OPERATING RESULTS AS PERCENTS OF SALES DOLLARS



The levels of profits in this segment have been erratic and are the results of changes in both market prices, primarily affecting the stockyards with some impact on brokers.

Expenses tend to be relatively fixed and when revenues fluctuate, net profits are directly affected.

2. Packers

As shown in the exhibit opposite, packers experienced a slight downward trend in gross profit as a percent of sales until 1974/75. During this time, they did not fully recover the cost of beef purchases in increased sales prices. However, in 1974/75, gross profit as a percent of sales for packers included in this study increased by 1.6% of sales. This may have been the result of increased selling prices, increased by product revenue, decreased cost of beef purchases, or a combination of all three.

"Wages and benefits" and "other expenses" as percentage of sales tended to decline until 1974/75. In the latter period, all expenses as a percent of sales increased. This is partly attributable to changes in selling prices, and to changes in labour costs and expense levels to the extent these were not offset by improved productivity.

Net profit percentages have moved in a narrow range during the five-year period, from -0.2% in 71/72 to 1.3% in 72/73. The mean deviation from the five-year average of 0.7% is 1.9, indicating some significant variations from the mean.

3. Wholesalers

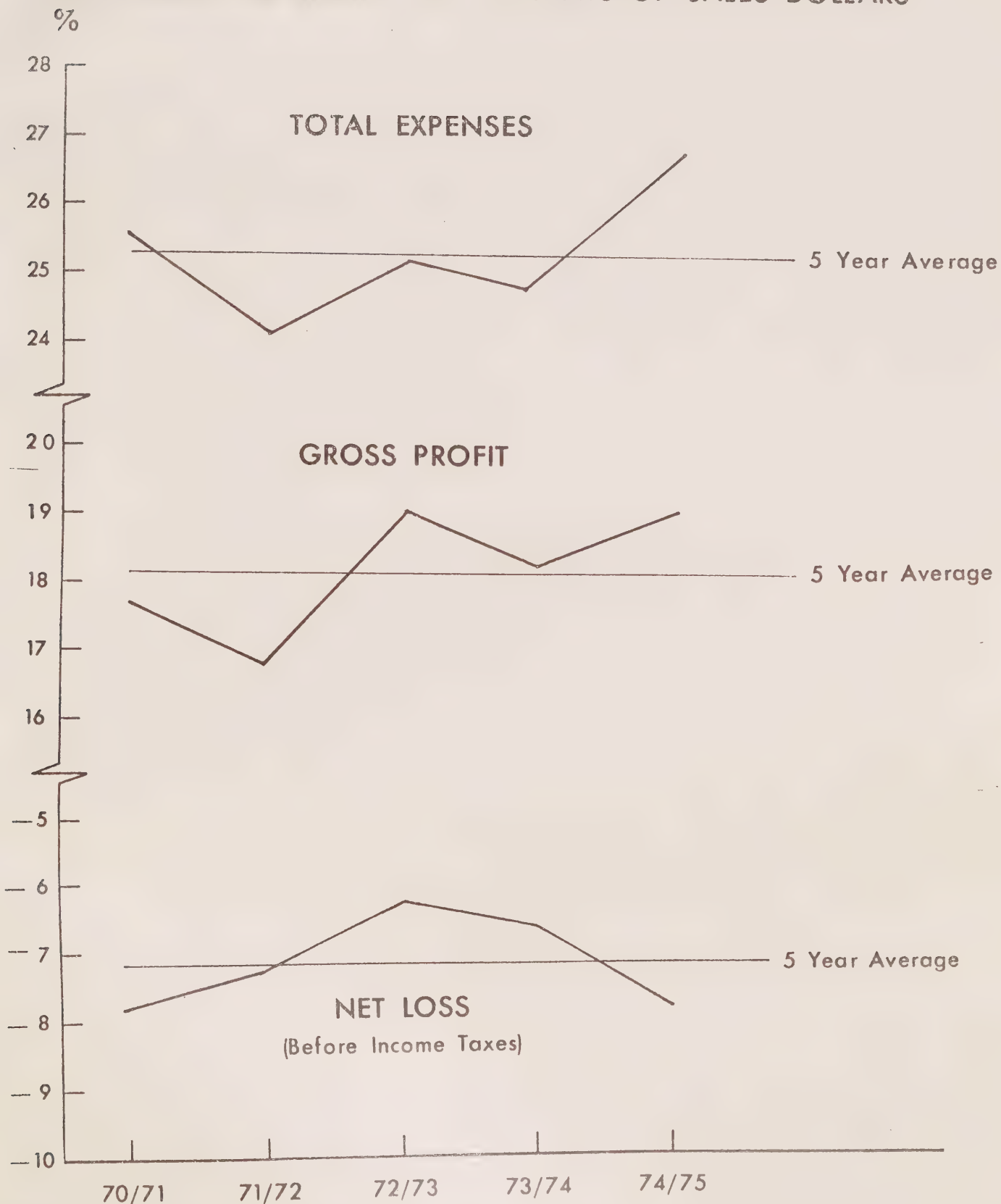
Sales have grown dramatically for this segment of the industry, increasing in the five-year period by 142%, far faster than any other segment.

Beef purchase costs have maintained a very close relationship to sales over the period resulting in very little variation in gross profit percentage.

The margins reported by the firms sampled are modest in both percentage terms and in absolute dollars. The mean deviation indicates some significant variations within the sample.

RETAILERS

OPERATING RESULTS AS PERCENTS OF SALES DOLLARS



The majority of wholesalers were in beef and veal only and as a result, that data did not require estimating and allocating of costs common to other products. In fact, many of the respondents provided annual financial reports in response to our request for data.

The wholesale segment is generally able to pass on increased product costs to its customers and as long as volume can be maintained, would be expected to hold profit margins.

4. Retailers

Percentage gross profit has increased from 17.7% in 1970/71 to 19.0 in 1974/75. Wages and benefits have remained at about the same level when expressed as a percent of sales. A variety of factors may affect these values, including changes in wage rates, selling prices, productivity and operating methods such as the introduction of boxed-beef.

Some retailers break beef carcasses at the store, some have central breaking plants and others buy boxed-beef directly from the packers. As a consequence, variations in gross profit were apparent because costs of breaking beef in the store would be reflected in the expenses categories but a boxed-beef user would show a higher cost of sales.

The most significant observation for the beef operations of retail stores is that net losses before income taxes averaged approximately 7.2% over the entire period. The mean deviation associated with this net loss is 6.2. This deviation is influenced as much by retailers reporting losses in excess of 7.2% as it is by those reporting results better than the average.

It is our intention to compare profit margins on beef and veal with those on overall food retailing operations in much the same way as we did for the meat packers. Unfortunately, the data for this comparison is not yet in our hands, so this comparison will be submitted within two weeks.

COMMENTS ON PROFITABILITY

We have determined the estimated net profit or loss before income taxes for each segment of the beef marketing system sample and expressed these amounts as percentages of sales (just as we have expressed each cost

category as a percentage of sales). Therefore, the profit element in selling prices can be identified.

However, there are other measures of profitability. For example, investment decisions are generally made on the basis of anticipated return on capital. Decisions based on such measures are thus most frequently assessed by reference to profits earned expressed as a percentage of capital invested in the particular activity or corporation. Should one conclude that the return on investment is either "too high" or "too low", it would then be possible to calculate the adjustment to selling prices which would be necessary to produce the desired rate of return.

As desirable as this calculation might be, most of the companies in our sample were involved in activities other than beef and we found it impractical to determine the value of assets or capital employed in beef operations alone. In addition, the sample surveyed was so varied in size and capital structure that in our opinion, comparisons could be misleading. Accordingly, we did not attempt to determine profit as a percent of capital employed or as a percent of shareholders' equity.

An additional comment should be made. Particularly in the retail segment where beef sales represent typically between 5 and 10% of total sales, it does not necessarily follow that beef margins are too low simply because the retail segment included in our study reported a net loss on beef. We were advised by the management of all of the retailers in the sample that net profit is only examined on an overall corporate basis in assessing their own operations. Because beef is an essential product to be included in any retail food store, the retailer has little option but to accept a low or even a negative return on beef if market conditions so dictate. But if the low return on beef can be recovered on sales of other products, so that a positive overall return is obtained, retailers are able to report profits to their shareholders. The fact that consistent losses have been incurred by retailers on their beef operations suggests that this form of subsidization does in fact occur, particularly in view of the overall profitability of the corporations sampled.

COMPARABILITY WITH OTHER DATA

We have reviewed industry data prepared by Statistics Canada in order to obtain some indication as to the comparability of our data with that of other related industries. A standard industrial classification could not be found for comparison generally to the beef marketing services segment (stockyards and brokers). Unfortunately, the most recent Statistics Canada data available is for 1971, but since no dramatic trends have been identified in our more current data, the comparisons which follow are of some significance.

1. Packers

The two standard industrial classifications which we feel are most closely related to beef packers are "meat products" and "wholesale-livestock". The figures presented below have been calculated in a manner that permits general comparison:

	1971		
	<u>Woods, Gordon</u>		<u>Statistics Canada</u>
	<u>Data</u>	<u>Data</u>	
	<u>Beef</u>	<u>Meat</u>	<u>Wholesale</u>
	<u>Packers</u>	<u>Products</u>	<u>Livestock</u>
Gross Profit	10.2%	20.6%	13.6%
Net profit before income taxes	0.1%	0.9%	0.8%

In addition to beef, "meat products" includes processed meats, pork, lamb, poultry and feeds. One of the reasons for a higher gross profit percentage for "meat products" is the fact that some by-product revenues may reduce cost of sales rather than being reported as sales. This treatment increases the gross profit percentage.

Gross profit and net profit percentages for beef packers were lower than the comparable figures for the two standard industrial classifications shown previously. Average percentages over the five-year period covered in the study for gross profit and net profit before income taxes for beef packers (11.3% and 0.8%) were also lower than the 1971

¹

Ottawa, Statistics Canada, Corporation Financial Statistics-1971, October 1974, pp. 137 and 181

figures for the other two industries. However, this latter comparison must be viewed with caution since more recent information is not available.

2. Wholesalers

Two standard industrial classifications are considered for a broad comparison to beef wholesalers: "wholesale-livestock" and "wholesale food".

Gross profit percentages are lower for beef wholesalers than the other industries as shown below. However, net profit before income taxes is slightly higher for beef wholesalers than for wholesale food and is the same as wholesale-livestock.

	1971		
	Woods, Gordon Data	Statistics Canada Data ²	
	Beef Wholesalers	Wholesale Livestock	Wholesale Food
Gross Profit	9.7%	13.6%	14.0%
Net profit before income taxes	0.8%	0.8%	0.5%

The five-year average gross profit and net profit percentages for beef wholesalers are 9.1% and 0.9% respectively.

3. Retailers

Only the retail food stores industrial classification is suitable for comparison to beef retail sales. The data following shows that gross profit and net profit percentages for beef operations are lower than comparable figures for retail food stores generally. The same is true in comparing the five-year average percentages of 16.7% and (7.6%) to the 1971 figures for retail food stores. Beef sales resulted in losses before taxes of 7.8% compared to a net profit percentage before tax of 0.8% for retail food stores generally.

²

Ibid., pp. 181 and 183.

	<u>Woods, Gordon Data</u>	<u>Statistics Canada Data</u>
	<u>Beef Retail Sales</u>	<u>Retail Food Stores</u>
Gross Profit	17.7%	19.2%
Net Profit (loss) before income taxes	7.8%	0.8%

Tables showing five years' financial results for each industry segment are found in Appendix II.

APPENDIX I

LETTER TO COMPANIES

July 18, 1975.

Dear

You will already be aware that we have been retained by the Commission of Inquiry into the Marketing of Beef to determine the costs incurred and the price spreads at each level in the beef marketing system. We are now requesting from you information on revenues attributable to the beef and veal operations of your organization.

Timing

In order to meet our reporting deadline we must obtain complete financial information for all respondents in final form before August 26th. To attain this objective and still give you sufficient time to prepare your data, we propose that our representative meet with you and/or your staff on August _____ to review the financial data which you have prepared for submission. If you have any questions or would like further clarifications prior to our meeting, please call Mr. Ray W. Monnot (July 28th or after) or M. André Bussi re in Ottawa (613) 236-7467 or Mr. Fred S. Mallett in Toronto (416) 864-1234. We will contact you later this month to confirm the time of the proposed meeting.

Scope

Since the spectrum of operations to be sampled is a wide one with many operating variables involved, we have framed this request in a general way and ask that you determine the specific details to be provided in a manner which best conforms to your own internal costing and accounting systems.

Clearly all topics described below will not be pertinent to all organizations and some companies may have accounting policies which are not specifically raised for discussion. In the former case, please ignore topics which are not applicable to you, and in the latter, please be prepared to raise points which will clarify or otherwise explain your data.

The general requirement is for substantive data on all revenues and costs pertaining to your corporate activities in respect of beef and veal on an annual basis for each of your five most recent complete fiscal years, together with quarterly data, if available, for your current fiscal year. Data should be segregated as between beef and veal operations. Where separate divisions, plants or subsidiaries exist, please describe briefly the function of each and prepare sets of data. In the case of retail chains, we do not require data for individual stores but we do require the data segregated by geographic regions. For this purpose, data may be accumulated in accordance with your own regional organizational structure.

Data to be provided

In the case of revenues, show gross sales, reductions from gross sales, i.e., discounts, rebates, freight out, returns and allowances, etc., to arrive at a net sales figure.

Cost of sales data should be shown as per your accounting records according to your method of collecting and recording such costs. At a minimum, we should expect to see "Raw Material Costs", "Other Direct Materials", and Direct Labour".

All other revenues and expenses attributable to your beef operations should be set out according to your corporate chart of accounts, arriving at the profit figures which you typically report, i.e., operating profit, contribution, net profit before "___", etc.

Where separate revenue and expense accounts for beef are not maintained, please prepare estimates based upon purchases and such other known data as yields, volume standards, recoveries, etc.

Related matters

In our discussions with you, we will want to cover the following topics relative to the data which you have prepared..

- 1.. The bases of prices or values used to record the movement of products between cost centres, departments, branches, divisions, subsidiaries or other corporate units.

2. The bases for allocation of the fixed costs or expenses of one unit to another.
3. The nature and amounts of any corporate revenues, costs or expenses which are not presently allocated to the operating units. Please be prepared to present your views as to the appropriate disposition of these items.
4. Any significant changes to your internal accounting and/or reporting systems during the period in question, particularly those which affect the comparability of data from one period to another.
5. The relationship between the data provided and the data included in your audited financial statements for the years under review.
6. The bases on which any estimates of revenues or costs have been made.

Confidentially of data

We have been advised by the Commissioners that, although aggregate industry data will likely become public knowledge as part of their final report, individual company data will not be made public without prior consultation with the company or companies involved.

The Commissioners cannot foresee a circumstance where publication of individual company data would be warranted.

On behalf of the Commissioners and ourselves, we thank you in advance for your cooperation and assistance in this undertaking.

Yours very truly,

RWM/FSM/saf

Woods, Gordon & Co.

APPENDIX III

CONSOLIDATION BY INDUSTRY SEGMENT

BEEF MARKETING SERVICES

(STOCKYARDS AND BROKERS)

COMMISSION OF INQUIRY INTO THE MARKETING OF BEEF

BEEF MARKETING SERVICES
(STOCKYARDS AND BROKERS)

	DOLLAR ANALYSIS (\$'000)				
	70/71	71/72	72/73	73/74	74/75
SALES	705	718	855	858	992
COST OF SALES	0	0	0	0	0
GROSS PROFIT	705	718	855	858	992
EXPENSES					
WAGES & BENEFITS	309	302	398	358	430
OTHER EXPENSES	329	367	392	398	455
TOTAL EXPENSES	638	609	790	756	885
NET PROFIT (LOSS) BEFORE TAXES	67	109	65	102	107

PERCENTAGE ANALYSIS (AS % OF SALES)

	70/71	71/72	72/73	73/74	74/75	5 YEAR AVG PCT	3 YEAR AVG PCT
SALES	100.0	100.0	100.0	100.0	100.0	100.0	100.0
COST OF SALES	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GROSS PROFIT	100.0	100.0	100.0	100.0	100.0	100.0	100.0
EXPENSES							
WAGES & BENEFITS	43.8	42.1	46.5	41.7	43.3	43.5	43.9
OTHER EXPENSES	46.7	42.8	45.8	46.4	45.9	45.5	46.0
TOTAL EXPENSES	90.5	84.8	92.4	88.1	89.2	89.0	89.9
NET PROFIT (LOSS) BEFORE TAXES	9.5	15.2	7.6	11.9	10.8	11.0	10.1
MEAN DEVIATION	8.4	10.6	5.7	8.6	8.5	5.5	4.6

PACKERS

COMMISSION OF INQUIRY INTO THE MARKETING OF BEEF

PACKERS
NODE 5 0 0 1

	DOLLAR ANALYSIS (\$'000)				
	70/71	71/72	72/73	73/74	74/75
SALES	637,332	710,327	849,944	1,096,496	1,044,640
COST OF SALES	572,112	641,368	763,483	994,864	935,256
GROSS PROFIT	65,220	68,959	86,461	101,632	109,384
EXPENSES					
WAGES AND BENEFITS	13,660	15,228	17,048	19,949	23,591
OTHER EXPENSES	46,242	48,820	53,361	59,750	66,404
TOTAL EXPENSES	64,869	70,054	76,515	87,185	98,901
NET PROFIT (LOSS) BEFORE TAXES	351	(1,095)	9,946	14,447	10,483

	PERCENTAGE ANALYSIS (AS % OF SALES)						
	70/71	71/72	72/73	73/74	74/75	5 YEAR AVG PCT	3 YEAR AVG PCT
SALES	100.0	100.0	100.0	100.0	100.0	100.0	100.0
COST OF SALES	89.8	90.3	89.8	90.7	89.5	90.0	90.0
GROSS PROFIT	10.2	9.7	10.2	9.3	10.5	10.0	10.0
EXPENSES							
WAGES AND BENEFITS	2.1	2.1	2.0	1.8	2.3	2.1	2.0
OTHER EXPENSES	7.3	6.9	6.3	5.4	6.4	6.4	6.0
TOTAL EXPENSES	10.2	9.9	9.0	8.0	9.5	9.3	8.8
NET PROFIT (LOSS) BEFORE TAXES	0.1	-0.2	1.2	1.3	1.0	0.7	1.2
MEAN DEVIATION	1.7	4.7	4.5	1.5	2.1	1.9	1.3

WHOLESALE

COMMISSION OF INQUIRY INTO THE MARKETING OF BEEF

WHOLESALE
NODE 5 0 0 2

	DOLLAR ANALYSIS (S'000)				
	70/71	71/72	72/73	73/74	74/75
SALES	75,549	92,809	127,155	159,535	182,825
COST OF SALES	68,234	84,387	116,051	145,647	165,690
GROSS PROFIT	7,315	8,422	11,104	13,888	17,135
EXPENSES					
WAGES AND BENEFITS	1,361	1,682	2,205	2,737	3,162
OTHER EXPENSES	5,324	6,177	7,527	9,224	12,169
TOTAL EXPENSES	6,685	7,859	9,732	11,961	15,331
NET PROFIT (LOSS) BEFORE TAXES	630	563	1,372	1,927	1,804

	PERCENTAGE ANALYSIS (AS % OF SALES)						
	70/71	71/72	72/73	73/74	74/75	5 YEAR AVG PCT	3 YEAR AVG PCT
SALES	100.0	100.0	100.0	100.0	100.0	100.0	100.0
COST OF SALES	90.3	90.9	91.3	91.3	90.6	90.9	91.1
GROSS PROFIT	9.7	9.1	8.7	8.7	9.4	9.1	8.9
EXPENSES							
WAGES AND BENEFITS	1.8	1.8	1.7	1.7	1.7	1.8	1.7
OTHER EXPENSES	7.0	6.7	5.9	5.8	6.7	6.4	6.1
TOTAL EXPENSES	8.8	8.5	7.7	7.5	8.4	8.2	7.8
NET PROFIT (LOSS) BEFORE TAXES	0.8	0.6	1.1	1.2	1.0	0.9	1.1
MEAN DEVIATION	1.4	0.7	1.0	1.1	1.6	0.8	1.0

RETAILERS

COMMISSION OF INQUIRY INTO THE MARKETING OF BEEF

RETAILERS
NODE 5 0 0 3

	DOLLAR ANALYSIS (\$'000)				
	70/71	71/72	72/73	73/74	74/75
SALES	234,690	270,913	329,121	383,499	426,554
COST OF SALES	193,214	225,402	266,684	313,673	345,583
GROSS PROFIT	41,476	45,511	62,437	69,826	80,971
EXPENSES					
WAGES AND BENEFITS	29,550	32,533	40,607	45,544	54,901
OTHER EXPENSES	30,348	32,714	42,402	49,537	59,424
TOTAL EXPENSES	59,898	65,247	83,009	95,081	114,325
NET PROFIT (LOSS) BEFORE TAXES	(18,422)	(19,736)	(20,572)	(25,255)	(33,354)

	PERCENTAGE ANALYSIS (AS % OF SALES)						
	70/71	71/72	72/73	73/74	74/75	5 YEAR AVG PCT	3 YEAR AVG PCT
SALES	100.0	100.0	100.0	100.0	100.0	100.0	100.0
COST OF SALES	82.3	83.2	81.0	81.8	81.0	81.9	81.3
GROSS PROFIT	17.7	16.8	19.0	18.2	19.0	18.1	18.7
EXPENSES							
WAGES AND BENEFITS	12.6	12.0	12.3	11.9	12.9	12.3	12.4
OTHER EXPENSES	12.9	12.1	12.9	12.9	13.9	12.9	13.2
TOTAL EXPENSES	25.5	24.1	25.2	24.8	26.8	25.3	25.6
NET PROFIT (LOSS) BEFORE TAXES	-7.8	-7.3	-6.3	-6.6	-7.8	-7.2	-6.9
MEAN DEVIATION	6.4	5.6	7.7	5.9	8.2	6.2	6.9



